



**BA612 – BUSINESS STRATEGIES FOR THE BASE OF THE PYRAMID**

**\*Course Syllabus\***

**Fall B 2009 – Sections 002, 451 (Evening Class)**

**Tuesdays, 6:30pm-9:30pm**

**Three Thursday Sessions (Nov. 12, Dec. 3 & Dec. 10), 6:30pm-9:30pm**

**Room R1220**

**Prof. Ted London**  
**1760C Wyly Hall**  
**734-936-6996**  
[tlondon@umich.edu](mailto:tlondon@umich.edu)

**Teaching Assistant**  
**Kathy Dasovich**  
[dasokath@umich.edu](mailto:dasokath@umich.edu)

**Course Overview**

Prospects for a more inclusive capitalism remain elusive. Poverty continues despite increased globalization and the implementation of a wide variety of poverty reduction programs. Indeed, the condition of the base of the pyramid (BoP), the vast low-income population living in the developing world, is increasingly viewed as both an unacceptable outcome of the current economic system and a challenge to the development community's on-going efforts to alleviate poverty.

New opportunities, however, are appearing on the horizon. In particular, the intersection of two drivers—the greater appreciation of the opportunities for market-based ventures to serve the BoP and the growing interest in exploring new poverty alleviation approaches—offers the potential for rethinking conventional wisdom in business strategy and poverty alleviation.

Private sector firms are continually searching for new business opportunities. Facing saturated markets with limited growth potential and a highly competitive business landscape, companies must broaden their search for new markets to increase revenues, and for new sources of supply to reduce costs. This has led managers to pay greater attention to opportunities in emerging markets that are further down the economic pyramid.

Given the unique business context, however, both existing and start-up ventures have struggled to formulate effective business strategies for BoP markets. Serving these markets requires radical innovations in designing and implementing business models. Addressing these challenges will require managers to demonstrate leadership, vision, imagination, and the capacity to embrace and catalyze change.

Furthermore, non-profit organizations and development agencies are increasingly viewing profit-making business ventures as a new and important tool for achieving their poverty alleviation goals. While this approach has much potential, adopting this course of action also presents these organizations with new challenges. They face a gap in required skills and capabilities, resistance from an organizational culture not comfortable generating profits from those they seek to serve, and a development legacy grounded in grants and donations.

While the challenges of catalyzing a more inclusive capitalism are substantial, so are the potential returns. Fundamental to the success of BoP ventures is mutual value creation; a synergistic relationship between the pursuit of profits and the alleviation of poverty. Properly conceived and effectively implemented, BoP ventures align business-oriented investments with development community resources to create a sustainable and scalable approach to poverty alleviation. Indeed, co-creating new business ventures with the base of the pyramid offers the unique opportunity to design economically viable ventures that have the potential to raise the quality of life for billions of people.

Overall, this course integrates concepts of strategy, international business, non-profit management, and poverty alleviation to stimulate the leadership skills and competitive imagination needed to understand the BoP landscape and create successful BoP ventures. Through a combination of cases, readings, lectures, and videos, class sessions will engage students in discussions aimed at: 1) identifying the prospects and challenges associated with serving BoP markets; and 2) developing the strategies, business models, partnerships, and mindsets required to productively explore these opportunities.

To explore these issues in greater depth, the course also includes two **interactive labs** sessions with BoP venture managers. These 3-hour labs are specifically designed as working sessions that maximize interaction and shared learning. For each, I invite an expert from around the world who is deeply involved with BoP venture development to convey both their organization's vision and some of the obstacles they are currently facing. The goals of these interactive labs are two-fold. Students get a deeper understanding of the current unique opportunities and challenges in implementing ventures designed to serve the base of the pyramid and have an immediate chance to put their classroom knowledge into action. Our guest experts value the interaction with the students and see it as an opportunity to generate new insights on some of their most vexing problems.

### **Course Materials and Other Resources**

A coursepack containing the required readings and cases is available through Kresge Library.

The following three books are recommended as supplemental reading and available on reserve at Kresge Library at the Ross School of Business:

de Soto, Hernando. 2000. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York: Basic Book.

Hart, Stuart L. 2005. *Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World's Most Difficult Problems*. Upper Saddle River, NJ: Wharton School Publishing.

Prahalad, C.K. 2004. *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*. Upper Saddle River, NJ: Wharton School Publishing.

This course primarily focuses on BoP venture development, its implications for business strategy, and its impact on poverty reduction. If you wish to gain deeper insight into the opportunities and controversies around current poverty alleviation efforts, I would encourage you to review the following. (*Note: If there is sufficient demand for a deeper discussion on this topic, I am also willing to schedule a session outside of regular class time with interested students. Attending or not would have no influence on your final grade for the course*).

Chambers, R. 1983. *Rural Development: Putting the First Last*. Essex: Addison-Wesley Longman.

Easterly, W. 2007. The ideology of development. *Foreign Policy*, Jul/Aug(161): 31-35.

Easterly, W. 2005. The utopian nightmare. *Foreign Policy*, 150:58-64.

Sachs, J. D. 2005. *The End of Poverty: Economic Possibilities for Our Time*. New York: Penguin Press.

Sachs, J. 2005. Can extreme poverty be eliminated? *Scientific American*, 293 (3):56-65

Sen, A. 1999. *Development as Freedom*. New York: First Anchor Books.

UN Millennium Project. 2005. *Investing in Development*.

### **Office Hours**

Meeting with students is a high priority for me, and I would be delighted to meet with you about any aspect of the class or to discuss base of the pyramid topics in general. My office hours are by appointment, and I am generally available on Wednesday and Friday afternoons from 2-4:30pm. Please feel free to send an email or see me after class to arrange a time to talk in-person or by phone.

Teaching Assistant Kathy Dasovich is also available to meet with you. Please contact her by email to arrange a time to meet.

## Course Requirements

Three components of the class will be used in determining the final grade. These are **class participation (40%)**, **two interactive lab assessments (10% each)** and a **group project (40%)**.

### Class participation (40%)

Class participation is a key factor in the success of the course. Attending all class sessions is essential. **Please plan carefully to ensure that you do not miss more than one class. Missing more than one class will influence your final grade.**

While class attendance is crucial, extensive individual preparation and a willingness to share knowledge and perspectives are also expected. Because this course primarily uses the case method, it is crucial that you carefully review and analyze the assigned readings before class, consider the discussion questions, and actively participate in the dialogue. I expect you to come prepared for class and may call on you to start the discussion or to address a specific issue.

Given that this course will include a mix of students with varying levels of international experiences and different educational backgrounds, mutual learning will be an important objective. Early in the class, we will form student teams to facilitate case preparation and discussion during the course.

Please note that I do not use a “count” system for evaluating class participation. The thoughtfulness and depth of your comments matter more than the number of times that you speak. Good class participation includes analyzing, commenting, questioning, discussing, and building on others’ contributions. Good class participation is *not* repeating the facts from a case or article, monopolizing airtime, or ignoring the contributions of others.

If for some reason you are not fully prepared on a particular day, let me know before class so that I do not inadvertently embarrass you.

*Missed classes:* If for some reason you must miss a class, please let me know in advance, in writing (an email is fine), so that your absence will not be unexplained. Furthermore, to ensure that you are up-to-date with the course material, **for any missed class please submit your responses to the discussion questions associated with the readings.** This will count toward your class participation grade for that missed session. Submitting responses to any missed session is a requirement of this class and failure to do so will influence your grade. These summaries should be approximately one page per discussion question (double-spaced) and must be emailed to me prior to the beginning of the next class session. Please do not collaborate or discuss your responses with others.

*Expected behavior:* A significant part of the learning takes place through the process of class discussion. All of us are responsible for ensuring this process is effective. Please do not use your laptops during class. Also, be sure to arrive on time for class. Furthermore, please bring your nametag to each class so that both your classmates and I can get to know you. Your nametag is especially important since this class combines students from different schools across

campus, and invariably not everyone will know one another. Not following these standards hurts not only the student, but also our learning community as a whole.

### Interactive lab assessments (10% each)

The interactive labs are designed as working sessions. Our guests, visiting BoP venture managers and experts, will provide, in advance of the lab, relevant background materials and a set of questions that focus on challenges their organizations are currently facing.

To enhance the quality of these discussions, each team is required to submit a 1,500-word (maximum) interactive lab assessment for both of the three-hour sessions (**Thursday, Nov. 12** and **Thursday, Dec. 3**) with our guest speakers. These assessments should address the specific question(s) for each of these sessions. Our guests generated these questions with the explicit intention of getting your input.

In preparing your assessment, each team member should first develop his or her individual response. The team should then meet to share their individual thinking and debate any differences in opinion. The final submission must be a group response that aggregates the thinking of the entire team. The team's assessment should not go over the 1,500-word limit (note: you may also include, if needed, two exhibits that do not count toward the word limit). You need to summarize your recommendations concisely as well as provide the logic behind your responses. Please do not discuss this assignment with other members of the class outside your group.

The assessments must be submitted prior to our lab session that day. Please send via email. Late papers are not accepted. **Please include your team number and section in both your file names and on the documents themselves.** Use self-explanatory file names, such as: T1, Evening – GE Assessment.doc.

In grading these recommendations, I am not looking for the one “right answer.” Rather, the goal is to make sure you have thought through the questions in depth, have used the appropriate tools and frameworks to address the issues at hand, and have developed a consistent and logical argument. The focus is on applying tools and concepts in the course to a complex current BoP business situation.

Based on the goal of enhancing our in-class experience, these write-ups will be graded according to a system of ‘check,’ ‘check minus,’ and ‘check plus.’ Most write-ups will receive a grade of ‘check,’ indicating that the assessment has satisfied by the criteria listed above and should lead to a good discussion. In some cases, a ‘check plus’ grade will be awarded when the write-up is exceptionally good. A ‘check minus’ grade will be given when the write up is substantially less than the norm that is expected for this assignment.

### Group project (40 %)

Each team will prepare a base of the pyramid venture report and presentation. Teams are responsible for identifying their own ventures.

Each team can choose one of two options in selecting their venture:

1. An existing BoP venture for which the team will conduct an in-depth assessment of its on-going strategy
2. A start-up BoP venture for which the team will develop a detailed business plan discussing its proposed strategy (Note: This start-up can either be a *de novo* venture or a new initiative launched by a pre-existing organization)

These ventures should be business-oriented initiatives that transact directly with the base of the pyramid. The organization launching the venture, however, need not be a for-profit entity. BoP-oriented initiatives launched by multinational corporations, host country companies, start-up businesses, non-profit organizations, and community groups are all appropriate for this assignment.

I would recommend that you avoid intermediary organizations, such as micro-finance institutions and other initiatives, that primarily provide resources or advisory services to a portfolio of local enterprises. This also includes organizations that distribute BoP-produced handicrafts in developed countries. These types of organizations typically do not transact directly with the BoP. As such, the frameworks and tools that we develop in class will be less applicable for undertaking an effective analysis.

As a first step, each team should choose their BoP venture and submit a one-page synopsis on or before **November 17<sup>th</sup>**.

If you decide to assess an existing venture, the synopsis should include a brief summary of the venture and a preliminary listing of the resources you plan to use to conduct your assessment. I would prefer to avoid having the same initiative examined by two teams and will work out any overlap with the teams involved. Typically, overlaps are resolved based on a first-come, first-serve basis.

If you have difficulty finding a suitable existing venture, there are many resources to assist you. I would be delighted to discuss ventures with you, as would other interested faculty and students. See [Appendix A](#) for further guidelines on selecting a venture.

If you decide to develop a start-up venture, the synopsis should include an executive summary that explains the value proposition of this venture and why you expect it to be successful. In this case, overlaps are generally fine. More than one team can develop a venture targeting a similar opportunity or market.

If you have difficulty assessing the viability of a potential start-up venture, I am happy to discuss this with the team. You may also wish to consult student and faculty with an entrepreneurship background to gain a more complete sense of how to develop an appropriate business plan for a start-up venture.

In detailing a start-up or analyzing an existing venture's strategy, each team should consider using a variety of sources of publicly available information as well as phone or e-mail contacts, where appropriate, with appropriate experts. Be creative! You should document your sources of

information in the final report, so that other students, BoP-minded colleagues, or I can build on your work in the future.

While collecting information will play a substantial role in your work, the outcome of this group project is not a “book report.” Simply reporting facts that you have found is not sufficient. Rather, I also want to see you *critically discuss* the venture, including its strategy, business model, sources of competitive advantage, economic performance, and poverty alleviation outcomes, and *craft carefully considered options, recommendations, and conclusions* concerning the long-term success of the venture. I expect you to apply the lessons and frameworks from the course. Properly executed, I have found that this is a valuable learning experience. See Appendix B for further guidelines on writing the report. We will also discuss this further in class.

Results from this assessment will be summarized both in a written and oral form. Please include your team number and section in both your file names and the documents themselves. Again, please use self-explanatory file names, such as: T1, Evening – Grameen Phone Final Report.doc. General guidelines for the written paper are as follows: 15-20 pages (not including exhibits), double-spaced, 12 pitch type, normal margins. The oral report will take the form of an in-class presentation. Each team will have approximately 15 minutes for the presentation and follow-on Q&A. Please see Appendix C for guidelines on your presentation. We will also discuss this further in class.

I expect all team members to be actively involved in developing this assessment; the final document should capture the aggregate thinking of the entire team. To allow feedback on this process, at the end of the semester, I will ask you to evaluate the performance of the other members of your team.

The presentations of the venture assessments are scheduled for **Thursday, December 10<sup>th</sup>** and **Tuesday, December 15<sup>th</sup>**. This is an opportunity for both sharing and learning. The paper is due on the final day of class (**Tuesday, December 15<sup>th</sup>**).

### **Honor Code**

Personal integrity and professionalism are fundamental values of the Ross Business School community. This course will be conducted in strict conformity with the Academic Honor Code. The Code and related procedures can be found at [www.bus.umich.edu/Academics/Resources/communityvalues.htm](http://www.bus.umich.edu/Academics/Resources/communityvalues.htm). The site also contains comprehensive information on how to be sure that you have not plagiarized the work of others. Claimed ignorance of the Code and related information appearing on the site will be viewed as irrelevant should a violation take place. Non-Ross Business School students taking the course should also familiarize themselves with the Code as they will be subject to the Code as well while in this course.

Please note that the code requires that you report any violation by one of your classmates. Also, recall that the code requires proper citations of work that is not your own.

## **Services for Students with Disability Statement**

If you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of the course, the assignments, and the in-class activities may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, we can work with the Office of Services for Students with Disabilities to help us determine appropriate accommodations. I will treat information you provide as private and confidential.

## Summary Outline

### Part I: Setting the Stage

<i>Class 1 – Tuesday, November 3<sup>rd</sup></i>	
<b>First Session: 6:30pm – 7:50pm: Reinventing Strategies for the BoP</b>	
Readings:	“Serving the poor, profitably” (Prahalad & Hammond) “Developing native capability” (Hart & London)
Case:	CEMEX’s Patrimonio Hoy: At the Tipping Point?
Discussion Questions:	<ul style="list-style-type: none"> <li>• What did you find most interesting about the Prahalad &amp; Hammond article?</li> <li>• What does the Hart &amp; London article contribute to BoP thinking?</li> <li>• What is your assessment of CEMEX’s Patrimonio Hoy initiative?</li> </ul>
Supplementary Readings:	“Reinventing strategies for emerging markets” (London & Hart) “Mystery of Capital” (pp. 1-37, 251-254) (de Soto)
<b>Second Session: 8:00pm – 9:20pm: Conventional Wisdom in Poverty Alleviation</b>	
Readings:	“Distribution of Nets Splits Malaria Fighters” (Kyama & McNeil) “More Money Than Sense” (Economist)
Case:	Targeting Malaria: Comparing Charity- and Social Marketing-Base Approaches
Discussion Questions:	<ul style="list-style-type: none"> <li>• What are the advantages and disadvantages of charity-based and social marketing-based approaches to poverty alleviation?</li> <li>• As the government of Tanzania, what is your recommendation to USAID? What is the reasoning behind this decision?</li> </ul>
Supplementary Readings:	“Nets and New Drug Make Inroads Against Malaria” (McNeil) “Aid is not the answer” (Prahalad)

### Part II: Exploring the Opportunity in BoP Markets

<i>Class 2 - Tuesday, November 10<sup>th</sup></i>	
<b>First Session: 6:30pm – 7:50pm: Fortune at the BoP?</b>	
Readings:	“The fortune at the bottom of the pyramid” (Prahalad & Hart) “Misfortune at the bottom of the pyramid” (Karnani) “Africa’s world of forced labor, in a 6-year-old’s eyes” (LaFraniere)
	<u>Conduct high level review (skim, focusing on the key points):</u> “The next four billion (executive summary)” (Hammond et al.)
Discussion Questions:	<ul style="list-style-type: none"> <li>• What might Mark Kwadwo say about the relationship between job creation and poverty alleviation?</li> <li>• What are the main points of disagreement between Prahalad and Karnani?</li> </ul>

	<ul style="list-style-type: none"> <li>• Is there a fortune at the base of the pyramid?</li> </ul>
Supplementary Reading:	<p>“Prahalad’s response to Karnani” (Prahalad)</p> <p>“Discovery and creation: Alternative theories of entrepreneurial action” (Alvarez &amp; Barney)</p> <p>“Tomorrow’s markets” (Cassara et al.)</p>
<b>Second Session: 8:00pm – 9:20pm: Business Model R&amp;D</b>	
Reading:	“Revolutionary routines” (Milstein, London & Hart)
Case:	Expanding the Playing Field: Nike’s World Shoe Project (A)
Discussion Questions:	<ul style="list-style-type: none"> <li>• What can leaders do to help ensure that revolutionary routines can flourish within their organizations?</li> <li>• Given the current situation, what should Tom Hartge recommend to senior management regarding the World Shoe strategy?</li> <li>• Is it too late? What could Nike do to help ensure effective incubation of BoP-oriented business models in the future?</li> </ul>
Supplementary Readings:	<p>“Rethinking marketing programs for emerging markets” (Dawar &amp; Chattopadhyay)</p> <p>“Base of the Pyramid Protocol” (Simanis, Hart, et al.)</p>

<i>Class 3 – Thursday, November 12<sup>th</sup></i>	
<b>Session: 6:30pm – 9:30pm: Building a New Business Model</b>	
<b><i>Interactive Lab Assessment #1 Due</i></b>	
Guest Speaker:	<b><i>Rex Widmer, Leader of Rural Health Initiative, GE Healthcare</i></b>
Readings:	<p>Please first conduct a background review on the following:</p> <ul style="list-style-type: none"> <li>• GE, GE Healthcare, and GE’s Healthymagination:</li> </ul> <p>Then read the following documents:</p> <ul style="list-style-type: none"> <li>• “Achieving appropriate design and widespread use of health care technologies in the developing world” (Free) (in course pack)</li> <li>• Background on GE Healthcare’s Rural Health Initiative (to be handed out)</li> </ul>
Discussion Questions:	<ul style="list-style-type: none"> <li>• What is your initial assessment of GE’s Rural Health initiative?</li> <li>• The Rural Health initiative is challenging the traditional boundaries of business for GE. As an example, the rural market for GE’s medical devices is limited by the lack of trained medical personal in rural clinics. So, should GE Healthcare include training in their rural health business model or partner with an NGO to scale education? Another example, should GE Healthcare commission public health research to prove the effectiveness of its technology interventions or should that remain the role of academia? Where &amp; how does GE Healthcare draw appropriate business boundaries? What are the pros/cons of partnerships with the public, academic, &amp; civil sectors to supplement or complement GE’s primary goal of device sales?</li> <li>• The unique constraints &amp; requirements of the rural health market will challenge GE to transform not only what it innovates but how it innovates. Key requirements for GE’s Rural Health R&amp;D</li> </ul>

	initiative to be successful include Rural “Embeddness”, Ideation, & Iterative Prototyping. How can GE Healthcare effectively lead field-based rural research in a cost-effective manner? How can GE Healthcare drive collaborative innovation leveraging engagement from diverse parties & maintain intellectual property protection?
Supplementary readings:	

<b>Part III: BoP Venture Development</b>
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<b>Class 4 - Tuesday, November 17<sup>th</sup></b>	
<b>First Session: 6:30pm – 7:50pm: Reaching Scale</b>	
<b>BoP Venture Selection Due</b>	
Reading:	“Building better ventures for the base of the pyramid” (London)
Case:	Hindustan Lever at the Base of the Pyramid: Growth for the 21 <sup>st</sup> Century
Discussion Questions:	<ul style="list-style-type: none"> <li>• What were Nirma’s secrets to success in serving the BoP?</li> <li>• Why did HLL have so much difficulty responding to the challenge from Nirma? What did HLL finally do to successfully compete against Nirma?</li> <li>• What is your assessment of the venture development process for Shakti? Do you have any concerns about the development of Shakti?</li> </ul>
Supplementary Readings:	“‘A fresh approach; what’s wrong with profits” (Strom) “Creating mutual value: Lessons learned from ventures serving base of the pyramid producers” (London, Anupindi & Sheth)
<b>Second Session: 8:00pm – 9:20pm: Mutual Value Creation</b>	
Readings:	“Doing well by doing good – Case study: ‘Fair & Lovely’ whitening cream” (Karnani) <i>(Note: Also refresh yourself on the commentary regarding Nirma and HLL from previous readings)</i> “Making better investments at the base of the pyramid” (London)
Case:	<u>Review:</u> Hindustan Lever at the Base of the Pyramid: Growth for the 21 <sup>st</sup> Century
Discussion Questions:	<ul style="list-style-type: none"> <li>• What is your view on the marketing of “Fair and Lovely?”</li> <li>• Does HLL’s marketing of “Fair and Lovely” influence your view of its efforts to serve the BoP?</li> <li>• How can HLL’s Shakti best respond to this issue?</li> </ul>
Supplementary Reading:	“Development as freedom” (Ch. 1, “Perspective of Freedom”) (Sen)

<b>**NO CLASS Tuesday, November 24th **</b>
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<b>Class 5 - Tuesday, December 1<sup>st</sup></b>	
<b>First Session: 6:30pm – 7:50pm: Strange Bedfellows: Confrontation or Collaboration</b>	
Reading:	“Partnerships for learning” (London & Rondinelli)
Case:	W.R. Grace Co. and the Neemix Patent (A)
Discussion Questions:	<ul style="list-style-type: none"> <li>• What are the business and societal implications of FET’s and Vandana Shiva’s challenge of the Neemix patent?</li> <li>• Should Grace’s patent on Neemix stand? Is this good business practices or “bio-piracy”?</li> <li>• Could Grace have avoided these problems with a different strategy? If so, how?</li> </ul>
Supplementary Readings:	“Cocreating business's new social compact” (Brugmann & Prahalad) “Creating sustainable local enterprise networks” (Wheeler et al.)
<b>Second Session: 8:00pm – 9:20pm: Subsidies and the Role of the Intermediary</b>	
Readings:	“The role of subsidies in a market economy” (Lee & London) “Subsidies in base-of-the-pyramid venture development (Lee & London)
Case:	Acumen Fund: How to Make the Greatest Impact
Discussion Questions:	<ul style="list-style-type: none"> <li>• What different roles can intermediary organizations like Acumen Fund play in facilitating the development of successful BoP ventures? Why are these efforts needed?</li> <li>• What activities should Acumen prioritize and why?</li> <li>• Please develop a framework for using subsidies that an organization like Acumen can apply to considering how best to apply its resources.</li> </ul>

<b>Part IV: Further Considerations</b>
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<b>Class 6 – Thursday, December 3<sup>rd</sup></b>	
<b>Session: 6:30pm – 9:30pm: Facilitating BoP Venture Development</b>	
<b>Interactive Lab Assessment #2 Due</b>	
Guest Speaker:	<b><i>Luiz Ros, Manager, Opportunities for the Majority, Inter-American Development Bank</i></b>
Readings:	Please first review the following background material: <ul style="list-style-type: none"> <li>• <a href="http://www.iadb.org">www.iadb.org</a></li> <li>• <a href="http://www.iadb.org/om">www.iadb.org/om</a></li> <li>• IDB Annual Report 2008 (available on-line)</li> </ul> Then read the following documents (which are in the course pack): <ul style="list-style-type: none"> <li>• “A Strategic Approach to the Opportunities for the Majority Initiative” (Inter-American Development Bank Document)</li> <li>• Opportunities for the Majority Initiative: Phase 1 Implementation Plan (Inter-American Development Bank Document)</li> <li>• “Report and Evaluation of Phase 1 and Implementation of Phases 2 and 3 of the Opportunities for the Majority Initiative” (Inter-American Development Bank Document)</li> </ul>

Discussion Questions:	<ul style="list-style-type: none"> <li>• What are the major issues that the Inter-American Development Bank (IDB) should address to maximize the effectiveness of an initiative that facilitates BoP venture development? Please explain the logic behind your selection of these issues.</li> <li>• What is your assessment of the IDB's Opportunity for the Majority (OMJ) initiative? What do you like and why? What are the potential limitations?</li> <li>• Please provide two recommendations that you feel would most enhance the OMJ initiative's effort to facilitate BoP venture development. Be sure to address both why the recommendations are needed and what OMJ should do.</li> </ul>
Supplementary Readings:	

<b><i>Class 7 – Tuesday, December 8<sup>th</sup></i></b>	
<b>First Session: 6:30pm – 7:50pm: Evaluating a Venture</b>	
Reading:	“The great leap: Driving innovation from the base of the pyramid” (Hart & Christensen)
Case:	Building a Sustainable Venture from the Ground Up: The Mountain Institute's Earth Brick Machine
Discussion Questions:	<ul style="list-style-type: none"> <li>• What is your assessment of the development of the Earth Brick Machine venture? What should TMI have done differently?</li> <li>• Moving forward, what strategy should TMI pursue?</li> <li>• What is your view about the potential for incubating distributive innovations in BoP markets?</li> </ul>
Supplementary Reading:	“Global sustainability and the creative destruction of industries” (Hart & Milstein)
<b>Second Session: 8:00pm – 9:20pm: Legal Considerations in Venture Development</b>	
Guest Speaker:	<b><i>Professor Deborah Burand, Director of the International Transactions Clinic, U-M Law School</i></b>
Reading:	“Shedding Light on Microfinance Equity Valuation Past and Present” (CGAP Occasional Paper No. 14 - 2009) “The 2009 Microfinance Banana Skins Report: Confronting Crisis and Change” (CSFI) ( <u>read</u> the executive summary and <u>skim</u> the just of the report)
Discussion Questions:	<ul style="list-style-type: none"> <li>• What are business, legal, and reputational considerations that are likely to impact investors and investees' equity transactions in Microfinance?</li> <li>• Which of these issues are likely to be relevant to equity investments in other enterprises with poverty alleviation goals?</li> </ul>
Supplementary Readings:	“Investing for Social and Environmental Impact” (Monitor Institute)

<b><i>Class 8 – Thursday, December 10<sup>th</sup></i></b>	
<b>Session: 6:30pm – 9:30pm: BoP Venture Assessments</b>	
Presentations:	<i>BoP Venture Assessments</i>

<i>Class 9 – Tuesday, December 15<sup>th</sup></i>	
<b><i>Group Project Due</i></b>	
<b>First Session: 6:30pm – 7:50pm: BoP Venture Assessments</b>	
Presentations:	<i>BoP Venture Assessments (continued)</i>
<b>Second Session: 8:00pm – 9:20pm: Summary and Conclusions</b>	
Reading:	“Which World” (pp. 3-12 & 22-25) (Hammond)
Discussion Questions:	<ul style="list-style-type: none"> <li>• Is it within our power to tip the balance toward a future world that we would want to leave to our descendents? If so, how could we make it happen? If not, why not? What role do you want to play?</li> </ul>
Supplementary Reading:	“Combating terrorism: A socio-economic strategy” (Byrd)

## Reading List – BA612: Business Strategies for the Base of the Pyramid

### Cases

- London, T. & Kotek, M. **CEMEX's Patrimonio Hoy: At the Tipping Point?** Ann Arbor, MI: William Davidson Institute/Ross School of Business Globalens Case GL1-428-606D.
- London, T., Augustine, G., & Lee, M. **Targeting Malaria: Comparing Charity- and Social Marketing-Based Approaches.** Ann Arbor, MI: William Davidson Institute/Ross School of Business Globalens Simulation GL1-428-642D.
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# Appendix A

## BoP Venture Assessment: Venture Selection

For each team, there are three components to the BoP venture assessment:

1. Select a BoP venture – Summary due by **Tuesday, November 17<sup>th</sup>**
2. Present BoP venture assessment in class:
  - a. **Day section - December 10<sup>th</sup> (Thursday, 12:40-2:10pm) and December 11<sup>th</sup> (Friday, 9am-12)**
  - b. **Evening section – December 10<sup>th</sup> (Thursday, 6:30-9:30pm) and December 15<sup>th</sup> (Tuesday, 6:30-7:50pm)**
3. Produce written venture assessment – **December 15<sup>th</sup> (last day of class)**

### My Availability

For all three steps in the BoP venture assessment, I am happy to answer any questions you might have. Depending on when is most convenient, we can talk before or after class or schedule a separate time to meet. My office hours are by appointment. I am generally available on Wednesday and Friday afternoons from 2-4:30pm. Please feel free to send an email or arrange a time to talk in-person or by phone.

Kathy Dasovich, the TA for this course, is also very knowledgeable about BoP ventures and can provide helpful advice in the venture selection process.

### Selecting an Existing BoP Venture:

A variety of different types of revenue-generating ventures serving the BoP are appropriate for this assignment, including the following:

1. Multinational corporation ventures
2. Host country company ventures
3. Entrepreneurial (start-up) ventures
4. Non-profit ventures
5. Community-based ventures

I would recommend that you avoid intermediary organizations, such as micro-finance institutions and other initiatives, that primarily provide resources or advisory services to a portfolio of local enterprises. This also includes organizations that distribute BoP-produced handcrafts in developed countries. These types of organizations typically do not transact directly with those at the BoP. As such, the frameworks and tools that we develop in class will be less applicable for conducting an effective assessment.

In selecting a venture, you will want to consider the following:

1. Amount of publicly available information.

2. Opportunity to speak with managers involved in the venture.
3. Access to internal documents.

*Please note:* You are not being graded on the on-the-ground success of the venture you select. Rather, I will be looking at how well you understood and analyzed this venture.

There are a number of resources available to help you identify a BoP venture. These include:

1. Your teammates may have interest in or contacts with a certain BoP venture.
2. I have introductory information on a number of potential ventures. Please feel free to see me if you want to discuss some of these. You should come prepared with some idea of the type of venture you are interested in.
3. At the William Davidson Institute, my colleagues Moses Lee ([moseslee@bus.umich.edu](mailto:moseslee@bus.umich.edu)) and Heather Moehle ([hmoehle@bus.umich.edu](mailto:hmoehle@bus.umich.edu)) are very knowledgeable about BoP ventures.
4. Some 2<sup>nd</sup> years who took the course last year are likely willing to share their expertise and knowledge. Please feel free to speak with them.
5. At the Ross School and elsewhere on campus, there are faculty interested in the BoP. They include: Ravi Anupindi, Paul Clyde, Mike Gordon, David Hess, Roman Kapuscinski, Gautam Kaul, Bob Kennedy, CK Prahalad, Cindy Schipani, and Jim Walsh.
6. You can also contact the librarians at Kresge (start with Corey Seemen)
7. There are also a number of websites that focus on base of the pyramid activities.

These include:

- a. The William Davidson Institute's website: <http://www.wdi.umich.edu/ResearchInitiatives/BasePyramid/>
- b. WRI's Next Billion website: [www.nextbillion.net/](http://www.nextbillion.net/)
- c. Development Gateway's website: [www.developmentgateway.org/](http://www.developmentgateway.org/)
- d. World Business Council on Sustainable Development's (WBCSD) website (in particular, look at its Development initiative): <http://www.wbcsd.org/templates/TemplateWBCSD5/layout.asp?MenuID=1>
- e. Acumen Fund's website: [www.acumenfund.org/](http://www.acumenfund.org/)
- f. Ashoka's website: [www.ashoka.org/](http://www.ashoka.org/)
- g. Cases from the UNDP's Growing Inclusive Markets Initiative: <http://www.growinginclusivemarkets.org/>
- h. Cases from the UNDP's Growing Sustainable Business website: <http://www.undp.org/partners/business/gsb/>
- i. Stanford Social Innovation Review: <http://www.ssireview.org/>
- j. MIT Press - Innovations Journal: <http://www.mitpressjournals.org/loi/itgg>
- k. Social Edge: <http://www.socialedge.org/>
- l. Grassroots Business Fund: <http://www.gbfund.org/>
- m. Root Capital: <http://www.rootcapital.org/>
- n. IGNIA Fund: <http://www.ignia.com.mx/home.php>

**Please do not select the following ventures** (as we will be studying them in class):

- CEMEX's Patrimonio Hoy
- Honey Care Africa
- Nike's World Shoe
- Grameen's Village Phone
- VisionSpring (formerly Scojo)
- Pioneer Seeds' Hybrid Seeds
- Hindustan Level's Wheel and Shakti
- CARE in Central America
- Acumen Fund
- The Mountain Institute's Earth Brick Machine

# Appendix B

## **BoP Venture Assessment: Written Report**

Your final paper is due on **Tuesday, December 15<sup>th</sup>**. Unless there is an emergency and we have discussed the issue, late papers are not accepted. The paper should follow these guidelines:

- 15-20 pages, double-spaced, 12 point font.
- Feel free to use diagrams, tables, and figures as you see fit. These do not count toward the page limit.
- Also include a reference section that provides information on the sources of the material used in your report. This also does not count toward the page limit.
- Include your team number and section in both your file names and the documents themselves. Please use a self-explanatory file name: T1, Day – Grameen Phone Final Report.doc

### **General Comments**

- The overall objective of the analysis is to describe and critically evaluate the venture.
- Your audience for the presentation and report welcomes the use of diagrams and figures (please note that these do not count toward the page limit).
- Please provide a complete listing of your sources (this also does not count toward the page limit).

### **Broad Objective**

- If you are assessing an existing venture, consider yourselves to be consultants engaged by the venture's board of directors and management. While they want to see that you have a strong sense of the venture's background, they are most interested in your assessment and recommendations. Indeed, they would like to hear your views on the venture's current status and opportunities for improvement.
- If you are developing a business plan for a start-up venture, consider yourselves to be its potential future managers. You need to develop a realistic assessment that provides a balanced view of the strengths and weakness of your model. Is the venture likely to be viable? Where are the major opportunities and challenges?

### **Possible Report Outline**

- This template can be broadly applied to either assessing an existing or proposing a new venture. It should not be taken verbatim. Rather, you should plan to modify it as you see fit to achieve the goal of most effectively presenting and assessing the venture. You can certainly add new sections as needed, drop ones that are not relevant, and/or redesign the ordering to best fit your particular analysis. (*Note: We will also discuss this in more detail in class during the semester.*)
- I will weigh equally (33% each) (1) your effectiveness in describing the venture, (2) your analysis of the design and implementation, and (3) your recommendations for addressing challenge/suggestions for moving forward.

## **A. Venture Background (33%)**

### **Introduction**

- Provide background information on the BoP venture and build a general understanding of the venture.

### **Market Overview**

- Describe the market environment in which the venture is operating.

### **BoP Product/Service**

- Provide an overview of the product or service.

## **B. Venture Design/Venture Analysis (apply frameworks from the class as appropriate) (33%)**

### **Partners and Alliances**

- Consider the range of stakeholders, their varied goals, and their relative levels of impact/influence. How strong are these partnerships? (Note: Diagramming the stakeholders and their respective activities is often helpful.)

### **Business Model Design and Implementation**

- Discuss how the development and execution of the venture's business model. What are its strengths and weaknesses? (Note: Providing a diagram of the business model is often helpful).

### **Venture Business Performance Assessment**

- Evaluate the venture's actual or expected business performance and discuss the reasons for this level of success or failure. What works best and where are the limitations? Consider the role (if any) of subsidies in this model.

### **Venture's Poverty Alleviation Performance Assessment**

- Evaluate and discuss the venture's local impacts.

### **C. Summary/Conclusions (33%)**

#### **Moving Forward**

- Develop options for improving the venture's performance. Provide the logic for your reasoning. Which is the best option?

#### **Conclusions**

- Discuss key lessons learned that emerged from your work on this venture. What are your conclusions and recommendations?

## Appendix C

### **BoP Venture Assessment: Final Presentation**

Teams will present a summary of their report to the class in December. In class, I will further review the presentation format and answer any questions you might have. In addition to making a presentation, you should also plan to do the following:

- Bring one hard copy of the presentation to class and give it to me before you present.
- On the day of your presentation, please email to me a copy of your PowerPoint presentation (please as send a powerpoint document, not a pdf) .
- Please include your team number and section in both your file names and the documents themselves. Use a self-explanatory file name, such as: T1, Day – Grameen Phone Final Presentation.doc

Some presentation suggestions:

- Be concise in your description of the venture
- Ensure you allow sufficient time to provide a complete venture analysis and offer your conclusions and recommendations
- Be aware of the time limit for the overall presentation and practice in advance